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# Coast to Coast Claims

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Volume 2 Issue 2

*Transportation advice from a claims viewpoint*

October 1998

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## From the Chief...

The Claims Section now has its own page on FINCEN's Web site. The Internet site address is <http://www.uscg.mil/hq/fincen/finhome.htm>. Click on Transportation and you're there! Currently, only the two previous editions of this newsletter are posted.

We plan to expand the page to include material contained in our Training and Reference Guide and a desk guide for freight transportation and discrepancy reporting. If you have any suggestions and ideas, we'll be glad to entertain them. Just call or email us.

**New POCs in G-SLP:** In case you didn't see the message, there are new points of contact for freight transportation and motor vehicles in G-SLP. They are: Mary Jane Noll, 202-267-2855, and Henry Herzberg, 202-267-6462. We don't know if this is permanent or just a temporary change.

**Update:** COMDTINST 4610.6, U.S. Coast Guard Freight Loss and Damage Claim System, is still not published. It's still making the rounds at Headquarters. I don't have a projected date of publication at this time. For now, continue to use the draft copy contained in the Training and Reference Guide for guidance.

**Taking Pictures:** See page 3 of this newsletter.

**"Thumb's up" Corner:** I want to recognize LCDR Dave Walker of AS Houston, SKC Bob Dorland of Group Detroit, Brenda Barry of ELC, SK3 Jacques Faur of Group Southwest Harbor, Ben Malonzo of MLC Pacific, and SK2 Amanda Hubby of Station Cape Disappointment. They all

sent in well documented transportation discrepancy report packages within the last two months. Keep up the good work. Your efforts help the Coast Guard recover the money we're due.

Sue Hubbard

## Bills of Lading (continued)...

Just a little recap: a bill of lading serves four purposes: 1) it is the contract for carriage; 2) it's a receipt for the goods; 3) it contains evidence of ownership or title to the goods; and 4) it's the source document for payment of transportation charges.

Our July 1998 newsletter focused on the Government Bill of Lading (GBL). In this issue, we're going to focus on the commercial bill of lading (CBL), the use of commercial forms and procedures for small domestic freight shipments, and shipping by CBL for conversion to GBL at destination. We also hope to clear up some misconceptions and misinterpretations that have been made. Unfortunately, some, if not all, are the result of ambiguous and misleading guidance in COMDTINST M4610.5, the FINCEN SOP, and articles appearing in past issues of the FINCEN Field Monthly Newsletter.

## Commercial bills of lading ...

A CBL is also known as a straight bill of lading and they come in either long form or short form. A CBL contains the same information as a GBL - origin, destination, description of the freight, and the applicable tariff number.

So when are you likely to deal with a CBL? As a whole, you're likely to deal with a CBL only when you receive shipments directly from vendors. And, no, it's not the document that the carrier shows up with at the time of delivery - that's either a delivery receipt or a freight bill. A CBL is a separate document issued by either the carrier or the vendor at the time of shipment.

Will you ever issue a CBL? If you are a field activity, it probably won't be very often. The use of commercial bills of lading has limited application in the Coast Guard when making freight shipments. In fact, COMDTINST M4610.5, Transportation of Freight, Chapter 18, states CBLs will only be used when they will be converted to GBLs.



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**Note:** This is for all those activities who've been "gigged" by the Compliance Team for issuing GBLs on shipments with estimated transportation charges of less than \$100 and are now issuing CBLs instead. It is appropriate to issue a GBL when the transportation charges are less than \$100. We discussed this issue with both Compliance Teams in October 1997 and they are no longer writing this up as a deficiency. We believe you should discontinue issuing CBLs and issue GBLs. However, before you do so, call the freight transportation program manager to discuss what is appropriate to do.

## Commercial forms and procedures ....

Okay, you're probably thinking – "Wait a minute! I ship by Federal Express, United Parcel Service, or Roadway Package Service all the time. I use Power Ship, issue pickup records and manifests - they're CBLs - right?" The companies listed above are small package carriers. When tendering a shipment to one of the above companies, you are using a shipment option called "commercial forms and procedures (CF&P) for small domestic freight shipments."

Use of CF&P reduces costs associated with GBL preparation, handling, and payment and is directed toward those situations involving shipments of a **recurring** nature. There are clear size, weight, and transportation cost restrictions associated with every shipment. Currently, using CF&P in the Coast Guard is limited to Federal Express, United Parcel Service and Roadway Package Service. These companies have signed agreements with the Government (actually, the General Services Administration) to use CF&P instead of the more cumbersome GBL. These agreements protect the Government by incorporating the same terms and conditions as if shipments were made on GBLs.

The bottom line is that, while you are using commercial paper to effect these small package shipments, use of CF&P **is not** the same as issuing a commercial bill of lading.

If you believe your activity qualifies to use CF&P for carriers other than those listed above, you need to contact the freight transportation program manager in G-SLP. Be sure to read COMDTINST M4610.5, treating Chapters 9 and 10 as if they were one. Also review Title 41 of the Code of Federal Regulations, subpart 101-41.304-2.

## Coast to Coast Claims The "dark" side of shipping by CF&P ...

Small package carriers do a great job. It's easy to do (too easy, in our opinion) and you get excellent value for your money - expedited service at a very cheap price. Further, they **seldom** lose or damage a shipment. Notice we said "seldom" and not "never." Here's our point – in return for those "cheap" rates, all three carriers limit their liability. This means, when they do lose or damage a shipment, the shipper may only recover a small portion of the value of the goods. We want to make you aware of what those limitations are:

Federal Express	\$250 or \$9.07 per pound, whichever is greater, per shipment
United Parcel Service	\$100 per package
Roadway Package Svc	\$100 per shipment

Each of the Government's contracts contain provisions that allow the shipper to pay a higher transportation cost in return for releasing the shipment at a higher valuation. Here's how it works. Say you have a computer board valued at \$1,000, weighing 2 pounds, to ship. You choose Federal Express as the carrier and their charge is \$3.50. If they lose the board, the Coast Guard can recover only \$250 of \$1,000. However, you elect to release the shipment at actual value. Federal Express charges \$.30 per additional \$100 of valuation (rounded to the next higher \$100) in excess of \$250. So, you would pay \$3.50 plus \$2.40 ( $\$1000 - \$250 = \$750$  rounded to \$800  $\times$  \$.30 = \$2.40) or \$5.90. If the carrier loses the shipment, the Coast Guard can recover \$1,000.

Additionally, these carriers impose maximum limits on how much a shipment can be released. If you use any or all of these carriers, we suggest you call them and request a government contract service guide. They should provide one to you at no cost.

If you consider using increased valuation, consult COMDTINST 4610.1, Use of Excess Declared Valuation (EDV) on Shipping Papers, dated 10/11/96. This instruction states Coast Guard policy on the use of excess declared valuation. It's a valuable tool which can save the Coast Guard significant sums of money *if used wisely*. This shipment option isn't appropriate for every shipment made by small package carrier. **NOTE:** If you're using someone else's funds to effect shipment, get their permission to use spend the extra money before you make the decision. **HINT:** There's a

copy of the EDV instruction in our Training and Reference Guide.

## CBL for conversion to GBL ...

Enclosure 2 of COMDTINST 4610.5, paragraph 3d, discusses a shipment option known as *CBL for conversion to GBL* at destination. But we've found most Coast Guard activities do not know the option exists. If they do know it exists, they don't know how to use it.

This shipment option isn't for everyday use. It's generally relegated to emergency situations or unusual circumstances. We can think of two scenarios where you might consider using this option.

The first example - you need to move parts to fix a broken helicopter or cutter from a remote location that does not have the ability to issue a GBL. And the stuff must be picked up today in order to get to you as soon as possible. The shipment doesn't qualify to be moved by a small package carrier under CF&P.

What should you do? There are some basic steps: 1) determine whether a motor carrier or an air carrier is appropriate, and 2) determine which government tender applies to the shipment by calling GSA or running a query on ITMS.

In the case of an emergency shipment, call the carrier, explain your requirements, and request them to pick up the shipment. Instruct the carrier to issue a CBL and annotate it with "for conversion to GBL at destination" and inform them what tender number applies to the shipment. When the shipment arrives, issue the carrier a GBL which states in the remarks block "CBL converted to GBL at destination," making sure to show the applicable tender number in block 20.

The second example - a purchase order is placed citing F.O.B. origin and the transportation costs exceed \$100. In this case, you need to do a cost comparison to see what is more cost effective. Generally, use of a government rate will result in significant cost savings. If it does, instruct the vendor to call you when the goods are ready to be shipped. Then you have two options. One is to authorize the vendor to ship on a CBL for conversion to GBL at destination. Instruct the vendor which carrier to use, what carrier tender applies, and how to annotate the CBL. Then issue the GBL when the goods are delivered, cross referencing the CBL



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and GBL. The second option - call the vendor, let them know which carrier to use, issue a GBL, and mail it to the vendor for presentation to the carrier when the shipment is picked up.

We hope the explanation and examples we've provided help you understand this shipment option and when it's appropriate to use it. If you have questions, please call the Claims Section or the freight transportation program manager in G-SLP.

## The IMPAC card and transportation charges ...

FINCEN receives questions from time to time concerning payment of transportation costs with the IMPAC card. The rules are pretty straight forward.

Payment of transportation charges included on the invoice for an item ordered using the IMPAC card is allowable. IMPAC may be used to pay for the transportation costs of small shipments, but **ONLY** if all the requirements and restrictions contained in 41 CFR 101-41 and COMDTINST 4610.5 have been met.

IMPAC may not be used for payment of transportation charges for cargo moving on a GBL. IMPAC may not be used to pay for transportation charges where the goods were shipped on a CBL which was converted to a GBL at destination. There are procedures in place for the payment of transportation charges moving by Federal Express, United Parcel Service and Roadway Package Service so IMPAC may not be used to pay transportation charges to these carriers.

If you have questions concerning these guidelines, please call the Claims Section or the freight transportation program manager in G-SLP.

## Taking Pictures ...

We constantly encourage people to take pictures before, during, and after delivery of a damaged shipment. Our motto is "pictures show what words cannot describe." We have successfully defended and collected highly controversial claims because our file contained good photographs showing the damage. Any camera will do - just so long as the pictures are clear and focused.

You may want to give some serious consideration to purchasing a digital camera for your activity. We think it's a worthwhile investment.

See the picture to the right. It was taken by Ben Malonzo at Alameda with a Kodak DC50 zoom digital camera. It's a 2,000-pound propeller hub for a cutter. It was delivered upside down, leaking hydraulic fluid all over the place. The pictures (12 in

all) were excellent quality and left no doubt in our mind that the carrier had dropped the shipment. We uploaded the pictures to our SWIII; we emailed them to G-SLP and the shipper and they became part of our permanent file.

Some advantages of a digital camera are: no film or film processing required; images can be transferred to a PC; images are reproducible; images can be used in desktop publishing, on web pages, or attached to electronic mail.

You can purchase a digital camera through GSA's Federal Supply Schedule, Photographic Equipment, Supplies, and Services, FSC Group 67 Parts II and III, dated May 15, 1998. Digital cameras are listed on page 13. Konica, Minolta, and Polaroid are the brands listed. Prices range from \$209 to upwards of \$4,000. The Kodak DC50 zoom camera cost Alameda about \$900.

Do you think you'd have trouble justifying the purchase? We don't think so. Sure, the camera can be used down on the loading dock to take pictures when a damaged shipment comes in. But how about – an investigating officer taking pictures of damaged personal property shipments or damages to government property, by public affairs personnel taking pictures at awards ceremonies or of key personnel, or by someone writing a standard operating procedure taking pictures to visually show a process? The Naval Engineering Unit at Alameda uses their digital camera to document problems with installation of parts on cutters.

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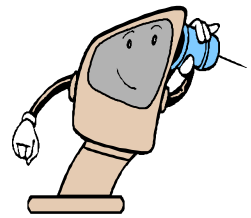
Special thanks to Chief Bob Dorland at Group Detroit. He's been researching the market and faxed us his information on cameras so we could include this section in the newsletter.

### Coming up in the next newsletter...

- air carriage
- Federal Express discrepancies
- the transportation mode decision

### We want to hear from you...

If you want to learn more about the claims program or want to schedule training at your activity, contact the Claims Section Chief, Ms. Susan Hubbard or the Traffic Management Specialist, Ms. Robin Smithling.



We'd also like to hear what you think of this newsletter. Is it of benefit to you? Is the information useful? What other freight transportation issues could we address?

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## Claims Section Points of Contact

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